## **City Finance Committee Minutes**

## May 20, 2013 City Council Chambers – 7:00 PM

Present: Mayor Bouley, Councilors Blanchard, Kretovic, McClure, Grady-Sexton, Werner, DelloIacono, Coen, Shurtleff, Bennett, Nyhan, White-Bouchard and Keach.

Excused: Councilors St. Hilaire and Patten.

The Mayor opened the meeting at 7:04 PM. He took a voice roll call and then turned the meeting over to City Manager Tom Aspell for presentation of the FY 2014 proposed budget.

City Manager Aspell gave an overview of his proposed budget for FY 2014, highlights of which are as follows:

- The Guiding Principles used to put together the Budget focused on priorities, mandates, sustainability and core missions; fiscal reality; and a program delivery approach based on collaboration and cooperation with other organizations to sustain the City into the future.
- 53% of Concord residents' taxes go to the Concord School District; a slightly higher amount (58.5%) of Penacook residents' taxes go to the Merrimack Valley School District.
- The City has received a rating of Aa1 from Moody's Investors, which reflects a healthy financial position, a stable/diverse tax base, sound financial management, moderate debt burden, and the fact that, for the fifth year in a row, the City has achieved an operating surplus.
- Concord's tax rate is comparable or ranks much lower than the other cities in NH.
- Concord's percentage of tax exempt property (28.4% in 2013) is increasing very quickly and is dramatically higher than other cities in the state.
- Spending growth has declined in many NH cities from 2007 to 2011. Adjusted for inflation, the statewide average is a .3% decline. Concord ranks near the top with a .5% decline. In addition, Concord's growth of per-person property tax burden is at 0%.
- Policom Corp's Economic Strength Rankings, which looks at a variety of factors to determine potential future growth, has ranked Concord first in the nation in 2012 and five of the last nine years, up from 4<sup>th</sup> in 2011. Concord has had consistently good standing.
- Revenue from interest income has declined significantly over the years, from \$1.8 million in FY 2008 to \$67,000 in FY 2014. Planning and permitting revenue has decreased. Motor vehicle registration revenue has continued to climb since 2010.
- The City's cost in fuel demands and fuel consumption have both declined dramatically since FY 2008.

- The City's Worker's Compensation costs have continued to decline.
- This is the fifth year in a row that the City has had a balanced budget with no use of unassigned fund balance.
- The FY 2014 budget reflects permanent reductions in revenue sharing from the State of NH (\$1.2 million), continued reductions in Highway Block Grant funding (\$108,000), and reduced rooms and meals tax revenue sharing (25% vs. 40%).
- The overall FY 2014 budget is \$92.9 million; with the General Fund equating to a little more than half of that at \$53 million.
- The City Manager's recommended tax rate for FY 2014 is a 3.1% increase.
- 1.05 full-time equivalent positions are eliminated as part of the FY 2014 Proposed Budget.
- Overall FY 2014 operating budget changes include: 1) adding a trial Employee Recognition Program at a cost of \$10,000; 2) an increase in retirement costs for all non-public safety employees of \$206,290; 3) a part-time Legal Secretary increased to full-time at a cost of \$20,770; and 4) a part-time Human Services Case Technician increased to full-time at a cost of \$5,000.
- The overall operating budget for the Police Department is up \$628,939 from FY 2013. Reductions include: cost savings due to existing position vacancies (\$165,000), and a request for the purchase of five new vehicles was reduced by \$20,000. Additions include: an increase in overall equipment funding (\$36,240); a part-time Dispatcher position increased to full-time (\$28,650); additional costs related to expiring grants for police officer positions (\$169,000); firing range capital costs; and an increase in retirement costs (\$336,332).
- The overall operating budget for the Fire Department is up \$478,748 from FY 2013. Reductions include the elimination of a vacant Firefighter position net of overtime (\$50,318). Additions include capital items: replacement of a Fire Engine, replacement of Thermal Imaging Cameras, and replacement of Cardiac Monitors for all ambulances; and an increase in retirement costs (\$348,880).
- The overall operating budget for the Parks & Recreation Department includes funding for the Adopt-A-Spot Program (\$15,765); elimination of a part-time Sports Coordinator and a part-time Building Supervisor; and the addition of a full-time Program Coordinator due to expanded operational programming at the new Heights Community Center.
- Funding for Welfare Aid is trending down slightly down about \$5,000 from last year.

- Support for Social Services is level funded at \$191,780. Funding is sustained for Senior Transport and Special Transport; as well as for the Community Action Program, the Penacook Community Center, and agencies providing shelter for the homeless and rape and domestic violence victims.
- A rate increase of 2.5% is recommended for both the Water Fund and the Wastewater Fund. A loss is projected for both of these funds in FY 2014; however, sufficient working capital reserves are in place, which will be used to offset higher rate increases.
- There is no rate change recommended for the Solid Waste Fund. A loss is projected for FY 2014, therefore, action will be required going forward to maintain adequate reserves beyond FY 2014. It is recommended that the Solid Waste Advisory Committee review the rate structure prior to FY 2015. Collection and Disposal services are out to bid, as current contracts run through CY 2014.
- There is no rate change recommended for the Parking Fund. A loss is projected in FY 2014 and there are insufficient working capital reserves in place; therefore, vigilance will be required throughout the fiscal year. A restructuring of the organizational oversight of the Parking Fund is recommended. It is also recommended that the Parking Committee review and modify the rate structure prior to FY 2016, but after construction of the Main Street project is completed.
- There is no additional rate change recommended for the 2013 golf season. A loss was projected for the Golf Course Fund in FY 2013; however, it is estimated that we will actually end FY 2013 with a slight gain. A gain of \$5,590 is projected for FY 2014. Insufficient working capital reserves are in place; therefore, vigilance will be required throughout the fiscal year.
- The Arena Fund is projected to have a loss in FY 2014; however, sufficient working capital reserves are in place.
- The Airport Fund was budgeted for a small gain in FY 2013; however, the actual gain is estimated to come in higher than projected. A loss is projected for FY 2014; however, sufficient working capital reserves are in place.
- In FY 2013, the Capital Improvement Program (CIP) was funded mostly by Enterprise funds, Special Revenue funds and the General Fund. A small amount was made up of TIF Districts, grants and donations. For FY 2014, we are looking at a completely different picture, in that the bulk of the CIP funding is from grants. Use of TIF District funds is up from 3% in FY 2013 to 14% in FY 2014; and donations are up from 1% in FY 2013 to 5% in FY 2014. As a result, the use of Enterprise, Special Revenue and General Funds is decreased substantially in FY 2014.
- Manager Aspell gave a brief overview of some of the individual capital projects. Many of
  the projects are partially funded by Federal and/or State dollars, without which the City
  would not be able to complete them.

- Going forward, areas of needed focus include the OPEB Accrued Actuarial Liability; Pay-As-You-Throw expenses exceeding revenue; review of Solid Waste services after FY 2014; the Parking Fund and changes in downtown operations; future health care and insurance costs for current and retired employees; and continued State downshifting of costs and reductions in revenues.
- Manager Aspell explained that he sees an opportunity to couple our capital investments with changes in our operations, and suggests the City do the following: create a position of Director of Redevelopment, Downtown Services, and Special Projects; eliminate the Assistant for Special Projects position; eliminate the Parking Manager position and create a Parking Supervisor position; enhance Police patrol in the Downtown, as the Police Department approaches full staffing; and undertake a complete review of the parking system, implementing changes prior to or upon completion of the Downtown Complete Streets Project.

Mayor Bouley asked Manager Aspell to clarify what he means when he refers to undertaking a complete review of the parking system. Manager Aspell explained that with the Downtown area being extended geographically upon completion of the Downtown Complete Streets Project, now is a good time for City Administration to look at the current parking system; i.e., where kiosks are located and how they are utilized; consider what to do about parking on Storrs Street and the 50 parking spaces that are currently designated as "no parking"; look at the current rate structure and determine if changes are necessary; and determine if there should be parking spaces specifically for people who are just running into a business and coming right out, and how the City would accomplish that. In addition, Manager Aspell recommended that Council review the structure of the Parking Committee, looking at who and which areas of the city the Parking Committee members represent. Manager Aspell also indicated that he would like to see more City Councilor positions on the Parking Committee.

This concluded the City Manager's presentation. Mayor Bouley thanked Manager Aspell and asked for questions or comments.

Councilor Keach inquired as to why the percentage of tax exempt property is growing in Concord and if it is a trend statewide. Manager Aspell indicated that it is a trend, because more property is being bought by schools, non-profit organizations, churches, and other entities that are tax exempt. Cities attract these entities because of the many services cities provide. In many cities outside of New Hampshire the same thing is happening, but they often have other sources of revenue, like local income taxes, local sales taxes, local gas taxes, etc. to offset the loss of property tax dollars.

Councilor Keach asked about the increased retirement costs and where they appear in the budget; i.e., in each Department or in the overall budget. Manager Aspell indicated that the increased retirement costs are appropriated in each Department's operating budget in the Fringe Benefits line item.

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Councilor Kretovic asked what the average home price is in Concord for the purpose of calculating what the proposed 3.1% tax increase will equate to. Manager Aspell noted that he used \$250,000 in his presentation; however, it is believed to be lower than that. Manager Aspell indicated that he will find out and provide the information prior to the next Finance Committee Meeting.

Councilor Coen inquired about tax exempt property and whether much of the increase is due to the City acquiring and putting more land into conservation, thus removing it from the tax roll. Manager Aspell responded that many pieces of property receive a conservation easement. A conservation easement reduces the value and, thus, reduces the tax burden; but it is not a tax exemption. There are cases where different entities have acquired properties and put them into conservation; but often those were already in current use to begin with, so the loss of tax revenue to the City is low.

Councilor Blanchard inquired about properties in the City that ought to be making Payments in Lieu of Taxes (PILOTs). Manager Aspell responded that PILOT payments are voluntary in most cases. However, the City takes entities to court on a regular basis and has been able to convince more and more entities to agree to make PILOT payments. Manager Aspell indicated that the amount budgeted for PILOT payments changes each year and has increased substantially for FY 2014.

Councilor Blanchard asked why economic development growth in the City is so low – at .5%. Manager Aspell responded that he doesn't know of another city in New England – other than Boston – that has done better than the City of Concord as far as economic development goes. He explained that most of the economic development in the City has occurred in the Tax Increment Finance Districts. He used the Penacook Village TIF as an example. The revenue for that economic development project is not coming in to the General Fund, but instead is coming in to the TIF. Manager Aspell noted that if Council decides they don't want to do a specific TIF project, than the monies could be reallocated to the General Fund to drop the tax rate. Mayor Bouley also noted that the low percentage of economic development in the City is not for lack of trying. He indicated that he and City Administration have met with numerous businesses who are potentially considering locating in Concord, and they have done as much as they can to try and bring those businesses in; however, it is very competitive.

Councilor Keach inquired about the proposed spending increase in the Water Fund, and the reasoning behind it. Manager Aspell responded that there is a combination of reasons for the increase. One factor is that there are many capital projects underway and it makes sense for the City to make infrastructure improvements at the same time. In addition, the amount of money in the Water proforma exceeds the Council's goal for the proforma; therefore the City Administration recommends spending some of it down and paying for things with cash, rather than borrowing money that will have to be paid back over future years.

Councilor Keach inquired as to what a cardiac monitor does and why there's a need to purchase new ones at the expense of \$350,000. Fire Chief Dan Andrus explained that the monitors are multifunctioning units that have the ability to monitor vital signs, do EKG's, and they are essential in diagnosing heart attacks. The Department's current cardiac monitors are 10 years old. It is recommended that a new cardiac monitor be purchased for each of the City's ten ambulances at \$35,000 each.

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Councilor McClure asked what the total value is of all the tax exempt property in the City. Manager Aspell indicated that the total value of tax exempt property in Concord is approximately \$1 billion.

Councilor Blanchard inquired about the unassigned fund balance and whether there's a limit to how big the fund gets. She expressed concern about sitting on tax payers' money while at the same time increasing the property tax rate. Manager Aspell responded that City Council had set a limit of 17.5% for the unassigned fund balance and we are currently at 17%. Manager Aspell explained that the bonding agencies like to see a surplus, which in turn gives us a better credit rating and allows us to borrow money for less. In addition, these surplus dollars allow the City to buy the things we need/want without having to borrow money and pay back the debt over future years.

Councilor McClure inquired about the proposed \$1.3 million Tax Increment Financing (TIF) appropriation. Deputy City Manager for Finance Brian LeBrun indicated that the \$1.3 million is actually a transfer from the operating portion of the Sears Block TIF and the NEOCTIF to the Parking Fund and the General Fund to pay for debt service. Manager Aspell went on to explain that the TIF's are now generating enough money to start to pay back the General Fund (which helps keep the tax rate down), the Parking Fund (which helps keep the parking rates down), and the Economic Development Fund (which allows us to do more economic development projects in the future) for the costs of building the Capitol Commons Parking Garage.

Councilor Blanchard questioned whether or not the General Fund is reimbursed by the Enterprise Funds if the General Fund ends up having to provide any financial support because the Enterprise Fund is running short of money. Manager Aspell responded that sometimes the Enterprise Fund pays back the General Fund, but not always. In some instances, if General Fund dollars helped pay for something that isn't 100% Enterprise Fund related, then it would be appropriate for General Funds to pay for it.

As there were no other questions or comments from the committee, the Mayor reminded the Council about the Downtown Complete Streets Public Hearing being held on Thursday, May 23<sup>rd</sup>, at 7:00 PM. He also noted that the next meeting of the Finance Committee is not until Monday, June 3rd, due to the Memorial Day holiday. Mayor Bouley encouraged all to come and attend the Memorial Day Parade on Monday, 5/27.

The Mayor asked for a motion to adjourn the meeting. A motion was made and seconded. The motion passed with a unanimous voice vote and the meeting was adjourned at 8:20 PM.

Respectfully submitted,

Sue Stevens Executive Assistant